

Banc One Shows Best Return on Assets Among Big Institutions

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benefited from the sale of its credit card portfolio last year, also was the best performer in return on equity among the 57 largest banking companies. Wells Fargo was the top superregional in return on equity in 1989. NCNB Corp., Charlotte, N.C., was second.

For the first time since the survey was begun in 1982, the market values of money-center bank stocks exceeded their book values last year.

In 1989, the median market-to-book ratio for the money-centers was 104.40%, indicating their stocks were selling for an average of 4.4% above book value. The average for 1988 was 93.34%, a discount to book averaging 6.66%.

57 Companies Covered

The *American Banker* performance survey covers 57 commercial bank holding companies with assets of \$10 billion or more on Dec. 31. Data are supplied by SNL Securities, Hoboken, N.J. Tables begin on page 16.

The companies are reviewed within three peer groups: 11 money-center banks, 26 superregional banks, and 20 large re-

gional companies with total assets of \$10 billion to \$20 billion.

Among other findings from the survey:

- First Chicago Corp. was the best-performing money-center bank during 1989, with a return on assets of 0.74% and a return on equity of 15.52%. Pittsburgh's Mellon Bank Corp. was second, returning 0.69% on assets and 14.09% on equity.

- The market's favorite money-centers last year were J.P. Morgan & Co. and Bankers Trust New York Corp. Morgan's 1989 market-to-book ratio was 202% - up from 114.27% the year before. Bankers Trust was second with a 157.4% ratio, up from 81.13% in 1988.

A Leader Falls

Republic New York Corp., the 1988 money-center peer group leader with a ratio of 115.32%, fell to third place despite a 26% gain in its ratio to 146.10%.

- Among the superregionals, the market's top choices were Banc One Corp. and NCNB Corp., with market-to-book ratios of 187.90% and 172.60%, respectively.

- CoreStates Financial Corp., Philadelphia, was second in re-

turn on assets with a ratio of 1.22%, and Northern Trust Corp., Chicago, was second in return on equity with a ratio of 23.79%. Further, Northern Trust was the market's favorite large regional with a market-to-book ratio of 201.9%.

- The worst performing money-center bank was Bankers Trust, with a negative return on assets of -1.62% and a negative return on equity of -31.58. These ratios include the third-quarter provisions for refinancing country credit losses of \$1.65 billion.

Confidence Retained

Nevertheless, the market has expressed confidence in Bankers Trust's future, rating it just behind Morgan as its favorite money-center bank.

- The worst-performing superregional was Bank of New England Corp., Boston, with a negative return on assets of -3.48%. The bank experienced significant problems with its commercial real estate lending portfolio last year, took a \$1.52 billion provision for credit losses in the fourth quarter and lost \$1.11 billion last year.

- The worst-performing large regional was Valley National Corp., Phoenix. The bank, also

suffering from a troubled real estate portfolio, lost \$149.2 million last year.

Stock Prices Also Up

The improvement in the market to book ratio of the money centers cannot be completely accounted for by book-value erosion at some large banks last year. The stock market normally adjusts for such developments. In absolute terms, the prices of money-center stocks also turned in a good performance for the year.

"A third of it may be attributable to a feeling that the Third World debt situation is finally nearing resolution at big banks," said Mark Alpert, an analyst at Bear, Stearns & Co.

The rest, he said, may be the market's recognition that these institutions have built up large tax credits as reserves have been created, a positive future development for earnings.

Yesterday's Market

For the second day in a row, First Chicago Corp. stock was the biggest loser. The shares were down \$1.125, to \$32.875, late Thursday afternoon, after a \$1.625 drop on Wednesday.

Overall, the stock market was stronger Thursday, with the Dow up slightly, although the performance of most bank

stocks was mixed.

First Chicago's stock fell on Wednesday amid rumors of problems in real estate projects of Trammell Crow Co. involving First Chicago financing. The huge Dallas developer denied that any of its projects are in serious jeopardy.

A spokesperson for the bank said Wednesday the bank knew of no reason for the activity, and said the bank had nothing to add to its previous statement.

But separately, First Chicago said on Thursday that its highly leveraged transactions in 1989 totaled \$2.7 billion as defined under federal law, more than double its previous total under its own definition.

Shares of NCNB Corp., which were hit on Wednesday by the same Trammell Crow rumors, recovered ground on Thursday. In afternoon trading, they were up 62.5 cents to \$40.875.

Among superregionals, the best performer was Banc One Corp., Columbus, Ohio, which appreciated 75 cents, reaching \$29.25.

In the loser column, Barnett Banks, Jacksonville, Fla., was off 50 cents to \$30.50 while Shawmut National Corp., Hartford, Conn., was off 50 cents, to \$15. Both stocks have been hurt by investor jitters over regulatory examinations of their real estate portfolios.

Columbia Plan to Sell Junk a Big Gamble

Continued from page 1

Corp. shortly after passage of the thrift-bailout law last year to find investors for an organization that would acquire the thrift's junk holdings. Mr. Harshfield said Columbia had stopped pursuing a "collateralized bond offering," in which securities are grouped according to risk, because the technique is

"too complex," in favor of the new equity-and-debt structured transaction.

Analysts say that Columbia's maneuvering amounts to paper shuffling that will not be able to overcome the underlying reality that junk bonds have lost much of their value.

Columbia lost \$226 million in the third quarter, largely because

of writedowns on its junk holdings. The thrift has not released its end-of-the-year earnings statement. But it is certain to take additional writedowns and will likely fail two of three capital tests, while barely meeting standards for tangible capital.

Danger of Takeover

Any further erosion would put the thrift below minimum tangible capital requirements, making it ripe for federal takeover.

"They don't have just a regulatory gun to their heads," said Kenneth B. Funsten, credit analyst with Wedbush-Morgan Securities, Los Angeles. "They've got a gun, a cannon and, a bazooka."

Sources familiar with Columbia's plan said the Office of Thrift Supervision had been studying the proposal for selling the junk portfolio since mid-February, but has not given its approval.

By all accounts, finding an investor willing to buy the entire portfolio, even if only a 10% to 15% down payment were required, will not be easy. "I don't know who is big enough," Mr. Funsten said. Any deal will be complicated by the nature of the portfolio, which is believed to include a wide range of private-placement issues and other hard-to-sell instruments.

"It's not an easy deal to pull off," said one source familiar with the plan.

Columbia's efforts to sell its bonds contrasts with the Resolution Trust Corp.'s decision to keep its vast junk holdings. Debt analysts said it was too early to predict what effect putting \$3.5 million worth of securities up for sale would have on the junk market as a whole. But they noted that a deal structured the way Columbia proposes would have less of an impact than a decision to dump the bonds on the open market.

House Panel's Laundering Bill Would Let Treasury Set the Rules

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Kenneth A. Guenther, executive vice president of the Independent Bankers Association of America, denounced the legislation, however, and said his organization would lobby against it.

"I'm concerned about the increased regulatory burden," he said. "This is overkill."

The draft legislation is on the fast track and is expected to win committee approval easily Tuesday. It faces favorable odds on the House floor as well.

A measure is in the works in the Senate, too, where Sen. John F. Kerry, D-Mass., is expected to soon introduce money-laundering legislation that could move as a free-standing bill. Or it could be attached to the crime bill being developed in the Senate.

"I think there's a 90% chance that some kind of money-laundering legislation will be enacted this year," Mr. Byrne said.

Legislation could affect a sizable number of transactions. In 1989, more than 96 million wire transfers were routed through the Federal Reserve's domestic network and the New York Clearing House's international system.

Aides to the chairman of the House Banking Committee, Henry B. Gonzalez, D-Tex., were scrambling Thursday to put the final touches on the draft legislation before the panel, and copies of it were not available. But sections of the bill obtained by *American Banker* indicated that Treasury is being given discretion in a number of areas.

For example, it had been expected that the bill would re-

quire reporting or record keeping on all transfers of \$10,000 or more. The Gonzalez draft calls for record-keeping only and gives the Treasury discretion to set a threshold for which wire transfers must be documented.

However, the bill calls for detailed record-keeping. The information to be maintained includes:

- The name and address of the originator, plus any account numbers involved in the transaction.

- Identification of the institution receiving the transfer, plus the name, address, and account number of the beneficiary.

- The name, address, and account number "of any person on whose behalf the funds are transferred or received, and any other person who is directly or indirectly involved in originating or receiving the transfer."

- Information about payment orders received that directed a transfer of funds, including data about the originator, the beneficiary, and any other people directly or indirectly involved.

Mr. Byrne of the ABA said it may be impossible to find out about individuals indirectly involved in transactions. For example, if money is wired overseas and passed through a number of accounts before reaching the ultimate beneficiary, it may not be possible to determine who ends up with the funds.

As a practical matter, the Treasury is already at work on regulations requiring increased record-keeping for international wire transfers and would be ready to issue regulations quickly.

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CERTIFICATES OF DEPOSIT Short Term Ratings

Banco de Ponce (Puerto Rico)	Duff 1
Banco Popular de Puerto Rico	Duff 1+
Banco Santander-Puerto Rico	Duff 1
Bank of America Nat'l. Tr. & Svcs. Assn.	Duff 1-
Bank of Hawaii	Duff 1+
Bankers Trust Co.	Duff 1+
Chase Manhattan Bank (N.A.)	Duff 1
Chemical Bank	Duff 1+
Citibank, N.A.	Duff 1+
Citizens & Southern Nat'l. Bank-Georgia	Duff 1+
Continental Bank	Duff 1-
Fidelity Federal Savings & Loan Assn.	Duff 2
First Bank National Association	Duff 2
First Interstate Bank of California	Duff 1
First National Bank of Boston	Duff 1-
Frost Nat'l. Bank of San Antonio	Duff 2
Glendale Federal Bank, FSB	Duff 2
Manufacturers & Traders Trust Co.	Duff 1
Manufacturers National Bank of Detroit	Duff 1
Mellon Bank, N.A.	Duff 1-
Morgan Guaranty Trust Co. of N.Y.	Duff 1+
NCNB Texas National Bank	Duff 1+
Security Pacific National Bank	Duff 1+
Southeast Bank, N.A.	Duff 1
Union Federal Savings Bank	Duff 1-
U.S. National Bank of Oregon	Duff 1+
Wachovia Bank & Trust Co., N.A.	Duff 1+
Wells Fargo Bank, N.A.	Duff 1+

Long Term Ratings

Banco Popular de Puerto Rico—Senior Debt	A+
Banco Popular de Puerto Rico—Sub. Debt	A
Banco Santander-Puerto Rico—Sub. Debt	A
Bank of New England, N.A.	BB+
Citizens & Southern National Bank-Georgia	AA-
Franklin Savings Association—Senior Debt	B
Franklin Savings Association—Sub. Debt	CCC
Manufacturers & Traders Trust Company	A
Manufacturers National Bank of Detroit	A+
NCNB Texas National Bank—Senior Debt	AA-
NCNB Texas National Bank—Sub. Debt	A+
Union Federal Savings Bank	BBB+

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BANK PERFORMANCE

1989 Performance of Top U.S. Banking Companies

Money Center Banks

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	2	First Chicago Corp.	0.74	1.12
2	11	Mellon Bank Corp.	0.69	-0.21
3	5	Continental Bank Corp.	0.52	1.03
4	9	Citicorp	0.23	0.82 ¹
5	8	Bank of Boston Corp.	0.19	0.96
6	10	Republic New York Corp.	0.09	0.67
7	7	Chemical Banking Corp.	-0.62	0.99
8	4	Chase Manhattan Corp.	-0.65	1.11
9	6	Manufacturers Hanover Corp.	-0.72	1.02 ¹
10	1	J.P. Morgan & Co., Inc.	-1.28	1.21
11	2	Bankers Trust New York Corp.	-1.62	1.12
Mean Values for Group			-0.22	0.89
Median Values for Group			0.09	1.02

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	1	First Chicago Corp.	15.52	29.33
2	11	Mellon Bank Corp.	14.09	-11.66
3	5	Continental Bank Corp.	8.62	26.38
4	6	Citicorp	4.25	21.40 ¹
5	9	Bank of Boston Corp.	3.91	18.33
6	10	Republic New York Corp.	0.11	14.29
7	3	Chase Manhattan Corp.	-18.12	27.75
8	4	Chemical Banking Corp.	-19.01	27.74
9	8	J.P. Morgan & Co., Inc.	-24.34	19.14
10	1	Manufacturers Hanover Corp.	-24.44	29.33 ¹
11	7	Bankers Trust New York Corp.	-31.58	20.27
Mean Values for Group			-6.45	20.21
Median Values for Group			0.11	21.40

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	11	Mellon Bank Corp.	191	88
2	7	First Chicago Corp.	-37	174
3	10	Continental Bank Corp.	-60	121
4	5	Citicorp	-76	210
5	2	Bank of Boston Corp.	-82	4,330
6	4	Republic New York Corp.	-99	683
7	8	Chemical Banking Corp.	-169	172
7	6	Chase Manhattan Corp.	-169	199
9	9	Manufacturers Hanover Corp.	-172	153
10	3	J.P. Morgan & Co., Inc.	-231	1,280
11	1	Bankers Trust New York Corp.	-250	*
Mean Values for Group			-105	N.M.
Median Values for Group			-99	199

Superregional Banking Firms

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	1	Banc One Corp.	1.42	1.45
2	6	Wells Fargo & Co.	1.26	1.14
3	2	Fleet/Norstar Financial Group	1.25	1.24
4	5	National City Corp.	1.24	1.18
5	3	First Wachovia Corp.	1.19	1.22
6	8	SunTrust Banks, Inc.	1.16	1.13
7	-	MNC Financial, Inc. ⁴	1.14	1.07
7	6	Sovran Financial Corp.	1.14	1.14
9	11	Citizens & Southern Corp.	1.07	1.00
9	12	NBD Bancorp., Inc.	1.07	0.98
11	10	Norwest Corp.	1.06	1.03
12	-	Midlantic Corp. ⁴	0.97	1.20
13	13	Barnett Banks, Inc.	0.94	0.94
14	17	Security Pacific Corp.	0.90	0.84
14	4	PNC Financial Corp.	0.90	1.20
16	20	BankAmerica Corp.	0.85 ¹	0.57 ¹
17	9	First Union Corp.	0.84	1.06
18	16	NCNB Corp.	0.74	0.88
18	15	Shawmut National Corp.	0.74	0.92
20	22	First Fidelity Bancorp.	0.55	0.12
21	18	Bank of New York Co., Inc.	0.10	0.83
22	23	First Bank System, Inc.	0.01	-1.20
23	19	Marine Midland Banks, Inc.	-0.04 ²	0.61 ²
24	21	First Interstate Bancorp.	-0.22	0.23
25	-	National Westminster Bancorp. ⁴	-0.68 ²	0.74 ²
26	13	Bank of New England Corp.	-3.48	0.94
Mean Values for Group			0.62	0.85
Median Values for Group			0.92	0.98

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	1	Wells Fargo & Co.	24.49	23.99
2	19	NCNB Corp.	20.45	15.55
3	3	Norwest Corp.	19.62	19.21
4	4	Security Pacific Corp.	18.78	18.86
5	6	National City Corp.	18.62	18.42
6	-	MNC Financial, Inc. ⁴	17.72	17.55
7	8	Sovran Financial Corp.	17.71	17.90
8	7	Fleet/Norstar Financial Gp.	17.70	18.15
9	10	Citizens & Southern Corp.	17.60	17.40
10	11	BankAmerica Corp.	17.17 ¹	17.36 ¹
11	11	SunTrust Banks, Inc.	16.88	17.36
12	9	Banc One Corp.	16.79	17.69
13	13	First Wachovia Corp.	16.48	17.18
14	17	NBD Bancorp., Inc.	16.19	16.11
15	15	Barnett Banks, Inc.	15.99	16.24
16	-	Midlantic Corp. ⁴	14.36	17.87
17	2	PNC Financial Corp.	13.60	19.30
18	16	First Union Corp., Inc.	12.77	16.16
19	20	Shawmut National Corp.	11.61	15.32
20	22	First Fidelity Bancorp.	10.31	1.08
21	18	Bank of New York Co., Inc.	0.74	15.56
22	14	Marine Midland Banks, Inc.	-0.11 ²	16.35 ²
23	23	First Bank System, Inc.	-1.86	-24.87
24	21	First Interstate Bancorp.	-7.35	6.02
25	5	Bank of New England Corp.	-68.08	18.56
..	..	National Westminster Bancorp. ⁴	N.A.	N.A.
Mean Values for Group			10.32	14.56
Median Values for Group			16.48	17.36

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	22	First Fidelity Bancorp.	765.5	-76
2	13	NCNB Corp.	53.1	43
3	5	BankAmerica Corp.	35.0	143
4	-	MNC Financial, Inc. ⁴	21.1	14
5	3	Wells Fargo & Co.	19.8	1,669
6	9	National City Corp.	13.3	83
7	15	NBD Bancorp., Inc.	13.1	38
8	17	Citizens & Southern Corp.	12.9	29
9	4	Norwest Corp.	12.1	459
10	1	Security Pacific Corp.	12.0	*
11	19	Sovran Financial Corp.	10.0	12
12	20	SunTrust Banks, Inc.	9.7	10
13	11	Fleet/Norstar Financial Gp.	9.6	65
14	18	Barnett Banks, Inc.	8.5	22
14	16	First Wachovia Corp.	8.5	36
16	13	Banc One Corp.	5.5	43
17	-	Midlantic Corp. ⁴	-8.0	18
18	21	First Union Corp., Inc.	-13.0	8
19	12	Shawmut National Corp.	-18.3	49
20	10	PNC Financial Corp.	-19.5	69
21	8	Bank of New York Co., Inc.	-94.8	85
..	7	Bank of New England Corp.	NM	103
..	2	First Bank System, Inc.	NM	1,910
..	6	First Interstate Bancorp.	NM	116
..	..	National Westminster Bancorp. ⁴	NA	NA
..	..	Marine Midland Banks, Inc.	NA	NA
Mean Values for Group			40.8	N.M.
Median Values for Group			10.0	N.M.

Large Regional Banking Firms

Return on Average Assets

Rank 1989	Rank 1988		ROA 1989	ROA 1988
1	8	Michigan National Corp.	1.69 ³	1.05
2	3	CoreStates Financial Corp.	1.22	1.14
3	6	Society Corp.	1.11	1.07
4	9	Ameritrust Corp.	1.10	1.02
5	1	Signet Banking Corp.	1.08	1.38
5	-	Northern Trust Corp.	1.08	1.36
7	4	UJB Financial	1.05	1.13
8	-	Huntington Bancshares	1.02	1.01
9	10	U.S. Bancorp.	1.00	0.92
9	-	First of America Bank Corp.	1.00	0.96
11	12	Crestar Financial Corp.	0.97	0.87
12	11	KeyCorp	0.93	0.90
13	19	Boatmen's Bancshares, Inc.	0.91	0.49
14	-	Meridian Bancorp, Inc.	0.89	0.99
15	13	First City Bancorp of Texas, Inc.	0.88	0.84
16	5	Comerica, Inc.	0.69	1.10
17	14	First American Bancshares, Inc.	0.61 ²	0.81 ²
18	18	Southeast Banking Corp.	0.51	0.53
19	15	Harris Bankcorp, Inc.	0.45 ²	0.79 ²
20	17	Valley National Corp.	-1.39	0.61
Mean Values for Group			0.84	0.93
Median Values for Group			0.99	0.92

Return on Average Equity

Rank 1989	Rank 1988		ROE 1989	ROE 1988
1	6	Michigan National Corp.	29.08 ³	17.32
2	-	Northern Trust Corp.	23.79	28.86
3	3	First City Bancorp of Texas, Inc.	17.19	18.92
4	1	Signet Banking Corp.	17.12	25.13
5	7	CoreStates Financial Corp.	16.78	16.69
6	13	Ameritrust Corp.	16.10	13.65
7	-	Huntington Bancshares	15.81	16.24
8	9	Society Corp.	15.49	15.56
9	12	U.S. Bancorp.	15.13	13.78
10	10	Crestar Financial Corp.	15.06	14.48
11	11	KeyCorp	14.55	14.39
12	8	UJB Financial	14.52	15.80
13	-	First of America Bank Corp.	14.41	14.38
14	-	Meridian Bancorp, Inc.	13.45	13.58
15	18	Boatmen's Bancshares, Inc.	12.18	6.66
16	2	Comerica, Inc.	11.74	19.04
17	17	Southeast Banking Corp.	10.11	10.56
18	15	First American Bancshares, Inc.	8.40 ²	11.78 ²
19	14	Harris Bankcorp, Inc.	7.31 ²	12.63 ²
20	16	Valley National Corp.	-26.43	11.31
Mean Values for Group			13.09	15.17
Median Values for Group			14.82	15.02

Gain in Earnings/Share

Rank 1989	Rank 1988		% Gain 1989	% Gain 1988
1	9	Michigan National Corp.	90.9	28
2	8	Boatmen's Bancshares, Inc.	85.1	29
3	..	First City Bancorp of Texas, Inc.	68.4	NA
4	10	U.S. Bancorp.	21.0	24
5	1	Ameritrust Corp.	17.9	1,192
6	12	CoreStates Financial Corp.	11.8	15
7	7	Crestar Financial Corp.	11.3	54
8	14	Society Corp.	10.5	12
9	6	KeyCorp	10.3	58
10	-	First of America Bank Corp.	8.0	11.4
11	-	Meridian Bancorp, Inc.	6.1	8.1
12	3	Southeast Banking Corp.	4.5	265
13	-	Huntington Bancshares	3.4	85
14	14	UJB Financial	1.6	12
15	-	Northern Trust Corp.	-5.2	234
16	2	Signet Banking Corp.	-20.3	571
17	5	Comerica, Inc.	-30.7	64
..	4	Valley National Corp.	NM	240
..	..	First American Bancshares, Inc.	NA	NA
..	..	Harris Bankcorp, Inc.	NA	NA
Mean Values for Group			17.3	NM
Median Values for Group			10.3	NM

Data Sources: Data were supplied by BNL Securities, Hoboken, N.J., unless otherwise noted. The rankings, means and medians were compiled by the American Banker. Please note that the 1988 data are as reported in 1989 and have not been restated for mergers or changes in accounting practices. (*)— Calculated by American Banker and is based on net income

excluding the utilization of tax loss carryforward. (2)— Based on data provided by the bank to American Banker. (3)— Includes gain on sale of credit card portfolio. (4)— Bank was in the "Large Regionals" panel last year. (5)— Percentage gain is greater than 40,000%. Definitions and methodology: For a complete description of the information contained in this table,

see the footnotes on page 18. Dashes (-) in the 1988 rank field indicate that the bank was not a member of panel that year. NA— Not available. NM— Not meaningful.

BANK PERFORMANCE

1989 Performance of Top U.S. Banking Companies

How the Market Looks at Banks

Mkt-Book Rank 1989	Mkt-Book Rank 1988	Money Center Banks	Ratio of Market-to-Book Value 1989	Ratio of Market-to-Book Value 1988	Price Earnings Multiple 1989	Price Earnings Multiple 1988	Dividend Yield (%) 1989	Dividend Yield (%) 1988
1	2	J. P. Morgan & Co., Inc.	202.00	114.27	NA	6.48	3.86	4.76
2	8	Bankers Trust New York Corp.	157.40	81.13	NA	4.33	5.18	5.94
3	1	Republic New York Corp.	146.10	115.32	NM	8.56	2.49	2.80
4	4	Citicorp	113.90	99.79	24.89	4.83	5.49	5.72
5	5	First Chicago Corp.	106.60	94.65	7.44	3.74	4.85	5.06
6	3	Mellon Bank Corp.	104.40	104.65	7.19	NM	4.89	5.60
7	10	Chase Manhattan Corp.	95.50	60.66	NA	2.49	6.79	7.55
8	9	Chemical Banking Corp.	87.60	65.69	NA	2.58	9.10	8.77
9	6	Continental Bank Corp.	82.80	93.34	9.65	4.00	4.28	3.86
10	11	Manufacturers Hanover Corp.	79.80	50.54	NA	1.53	9.90	11.56
11	7	Bank of Boston Corp.	71.70	87.44	23.75	5.33	6.53	5.25
Mean Values for Group			113.44	87.95	14.58	4.39	5.76	6.08
Median Values for Group			104.40	93.34	9.65	4.17	5.18	5.60

Superregional Banking Firms

1	6	Banc One Corp.	187.90	142.72	11.77	8.52	3.21	4.13
2	1	NCNB Corp.	172.60	152.49	10.42	9.40	2.38	3.67
3	12	Norwest Corp.	171.40	127.73	9.00	7.22	3.38	4.11
4	10	First Wachovia Corp.	163.00	139.45	10.70	8.98	3.41	4.01
5	2	National City Corp.	157.40	150.53	8.99	8.56	4.29	5.11
6	4	Wells Fargo & Co.	154.20	145.90	6.73	6.56	4.45	4.97
7	21	Bank of New England Corp.	151.90	94.50	NA	5.42	10.88	6.18
8	8	Sovran Financial Corp.	141.10	141.00	8.46	8.39	4.37	4.44
9	13	Citizens & Southern Corp.	140.50	123.94	8.38	7.62	4.29	5.01
10	7	PNC Financial Corp.	140.30	141.41	10.65	8.03	4.95	4.73
11	11	SunTrust Banks, Inc.	140.20	136.41	8.76	8.35	3.41	3.82
12	15	NBD Bancorp., Inc.	137.60	118.56	9.25	8.17	3.75	3.95
13	9	Barnett Banks, Inc.	134.20	139.52	8.88	9.07	3.21	3.06
14	3	First Bank System, Inc.	132.70	146.91	NA	NM	8.57	7.76
15	5	Fleet/Norstar Financial Group	131.50	142.94	7.92	8.47	5.01	5.02
16	22	Bank of New York Co., Inc.	116.60	90.04	149.07	7.10	4.89	5.19
17	20	BankAmerica Corp.	114.80	95.63	5.23	4.65	2.24	0.00
18	16	Security Pacific Corp.	114.40	114.61	6.49	6.46	5.42	5.43
19	19	First Interstate Bancorp.	113.90	101.91	NA	16.49	7.12	6.73
20	-	MNC Financial, Inc.	107.40	120.40	6.43	7.27	4.77	4.31
21	14	First Union Corp.	106.50	123.05	8.59	8.02	4.85	3.98
22	17	First Fidelity Bancorp.	102.60	114.26	9.26	N.M.	8.60	6.85
23	18	Shawmut National Corp.	87.50	105.76	7.56	7.16	6.91	5.79
24	-	Midlantic Corp.	81.00	107.64	5.98	6.65	5.59	4.30
..	..	Marine Midland Banks, Inc.	NA	NA	NA	NA	NA	NA
..	..	National Westminster Bancorp	NA	NA	NA	NA	NA	NA
Mean Values for Group			133.38	126.79	15.17	8.13	5.00	4.72
Median Values for Group			135.90	132.07	8.76	8.10	4.61	4.85

Large Regional Banking Firms

1	-	Northern Trust Corp.	201.90	164.00	10.22	6.99	2.12	2.38
2	13	U.S. Bancorp.	147.10	100.17	10.25	7.62	2.93	4.35
3	-	Huntington Bancshares	142.10	114.00	9.48	7.52	3.45	4.12
4	1	CoreStates Financial Corp.	135.00	142.61	8.47	9.00	4.08	4.15
5	9	Ameritrust Corp.	130.50	107.94	8.09	7.97	4.96	5.37
6	7	Crestar Financial Corp.	126.50	112.83	8.85	8.22	4.17	4.67
7	11	First City Bancorp of Texas, Inc.	122.90	105.38	8.66	10.38	4.72	0.00
8	4	Comerica, Inc.	121.90	119.86	10.58	6.95	4.77	4.37
9	15	KeyCorp	115.00	94.33	8.24	6.85	4.78	6.04
10	6	Signet Banking Corp.	114.10	118.67	7.06	5.21	4.73	4.71
11	-	Meridian Bancorp, Inc.	108.90	114.70	8.48	9.05	5.84	5.68
12	-	First of America Bank Corp	105.10	104.50	8.10	8.15	4.47	4.23
13	8	Society Corp.	102.90	110.98	7.37	7.94	4.69	4.09
14	5	Michigan National Corp.	102.50	119.03	4.08	7.39	4.04	4.46
15	12	Boatmen's Bancshares, Inc.	102.10	104.31	8.60	15.42	6.44	6.45
16	2	UJB Financial, Inc.	101.10	121.92	7.20	8.04	5.88	5.11
17	14	Southeast Banking Corp.	82.40	98.55	8.39	9.96	5.71	4.98
18	16	Valley National Corp.	57.00	78.30	NA	7.18	8.38	5.88
..	..	First American Bankshares, Inc.	NA	NA	NA	NA	NA	NA
..	..	Harris Bankcorp., Inc.	NA	NA	NA	NA	NA	NA
Mean Values for Group			117.72	110.18	8.36	8.25	4.79	4.58
Median Values for Group			114.55	109.46	8.47	7.78	4.73	4.57

Performance Study Peer Groups

Asset Rank 1989	Money Center Banking Companies	Assets 12/31/89 (\$ Million)
1	Citicorp, New York	230,643
2	Chase Manhattan Corp., New York	107,369
3	J.P. Morgan & Co., Inc., New York	88,964
4	Chemical Banking Corp., New York	71,513
5	Manufacturers Hanover Corp., New York	60,500
6	Bankers Trust New York Corp.	55,658
7	First Chicago Corp.	47,907
8	Bank of Boston Corp.	39,178
9	Mellon Bank Corp., Pittsburgh	31,467
10	Continental Bank Corp., Chicago	29,549
11	Republic New York Corp.	25,467

Superregional Banking Companies

1	BankAmerica Corp., San Francisco	98,764
2	Security Pacific Corp., Los Angeles	83,943
3	NCNB Corp., Charlotte, N.C.	66,191
4	First Interstate Bancorp., Los Angeles	59,051
5	Bank of New York Co., Inc.	48,856
6	Wells Fargo & Co., San Francisco	48,737
7	PNC Financial Corp., Pittsburgh	45,661
8	Fleet/Norstar Financial Group, Inc., Providence, R.I.	33,441
9	First Union Corp., Charlotte, N.C.	32,131
10	SunTrust Banks, Inc., Atlanta	31,044
11	First Fidelity Bancorporation, Newark, N.J.	30,728
12	Bank of New England Corp., Boston	29,773
13	Barnett Banks, Inc., Jacksonville, Fla.	29,007
14	Shawmut National Corp., Hartford, Conn.	28,145
15	Marine Midland Banks, Inc., Buffalo, N.Y.	27,067
16	Banc One Corp., Columbus, Ohio	26,552
17	NBD Bancorp., Inc., Detroit	25,771
18	Sovran Financial Corp., Norfolk, Va.	25,442
19	Norwest Corp., Minneapolis	24,335
20	First Wachovia Corp., Winston-Salem, N.C.	24,050
21	Midlantic Corp., Edison, N.J.	23,666
22	Citizens & Southern Corp., Atlanta	23,313
23	National City Corp., Cleveland, Ohio	22,972
24	National Westminster Bancorp, Inc., New York	21,773
25	First Bank System, Inc., Minneapolis	20,820
26	MNC Financial, Inc., Baltimore	20,316

20 Large Regional Banking Companies

1	U.S. Bancorp., Portland, Ore.	16,975
2	CoreStates Financial Corp., Philadelphia	16,849
3	Southeast Banking Corp., Miami	16,525
4	KeyCorp, Albany, N.Y.	15,461
5	Boatmen's Bancshares, Inc., St. Louis	14,542
6	First City Bancorp. of Texas, Inc., Houston	14,081
7	First of America Bank Corp., Kalamazoo, Mich.	12,793
8	Signet Banking Corp., Richmond, Va.	12,476
9	Harris Bankcorp, Inc., Chicago	12,374
10	UJB Financial Corp., Princeton, N.J.	12,172
11	Comerica, Inc., Detroit	12,149
12	Meridian Bancorp, Inc., Reading, Pa.	11,925
13	Huntington Bancshares, Inc., Columbus, Ohio	11,680
14	First American Bankshares, Inc., Washington, D.C.	11,490
15	Michigan National Corp., Farmington Hills	11,480
16	Crestar Financial Corp., Richmond, Va.	11,361
17	Ameritrust Corp., Cleveland	11,233
18	Northern Trust Corp., Chicago	10,938
19	Society Corp., Cleveland	10,903
20	Valley National Corp., Phoenix	10,549

Source of Asset Data: American Banker survey of the top 100 bank holding companies scheduled for publication on April 11.

Money Center banking companies: are banks that are large in asset size; oriented toward commercial and industrial lending with a proclivity to sell a high amount of their C&I originations; noncore funded (a high percentage of purchased money); and a large international presence.

Superregional banking companies: are non-money center banking companies with \$20 billion or more in total assets on Dec. 31, 1989, that has merged across state lines to establish a full commercial banking presence in another state.

Large regional banking companies: the next 20 largest bank holding companies in the U.S. on Dec. 31, 1989 (assets between \$10 billion and \$20 billion.)

N.A.— Not available. N.M.— Not meaningful.

Definitions and Methodology

The statistical tables for the American Banker's annual performance study were compiled by the American Banker from data provided by SNL Securities, Hoboken, N.J. The data were taken from two sources: (1) the SNL Bank DataSource, which contains GAAP financials on market and per share data on all publicly traded commercial banks and bank holding companies; and (2) the SNL Bank Securities Monthly, which contains the stock price information needed for this survey.

A listing of the 57 banking companies in the study appears above. The companies are divided into three peer groups: peer group 1 — 11 money center banks (defined above); peer group 2 — 26 superregional banking firms (defined above); and peer group 3 — 20 bank holding companies with assets of between \$10 billion and \$20 billion on Dec. 31, 1989. In the table above, entitled Performance Study Peer Groups, the companies are listed in order of their asset size on December 31, 1989, within their respective peer group. Banks that are not owned by holding companies are excluded from the survey.

In the table appearing on page 16, within peer groups the banks

are ranked by three measures of performance: the return on average assets; the return on average equity; and the percentage change in earnings per share. Dashes (—) in the 1988 rank field indicate that the bank was not a member of panel that year.

Net income is income after taxes but before extraordinary items for the full year 1989. Please note: American Banker has excluded the extraordinary credit resulting from the utilization of tax loss carryforward from 1988 and 1989 net income, whenever possible. The banks affected are footnoted.

The return on average assets, as defined by SNL Securities, is net income divided by average assets for the period.

The return on average (common) equity is net income minus preferred stock dividends divided by average common shareholders' equity for the year.

The percentage change in earnings per share were calculated by American Banker from SNL Securities' data. These data are the actual fully diluted earnings per share before extraordinary items for 1987, 1988, and 1989. In calculating percent changes involving negative numbers, American Banker considers the movement from

a negative amount to zero, or from zero to a negative amount, as a change of 100%.

Market-to-book value for 1989 is the stock price on December 29, 1989 divided by the book value per share on December 31, 1989. The market-to-book value for 1988 is calculated by dividing the stock price on December 30, 1988, by book value per share on December 31, 1988.

The price earnings multiple is the stock price, as defined above, as a multiple of fully diluted earnings per share.

The dividend yield for 1989 is the indicated annual dividend for the fourth quarter of 1989 as an annualized percentage of the December 29, 1989 price. The dividend yield for 1988 is the indicated annual dividend for the fourth quarter of 1988 as an annualized percentage of the December 31, 1988 price.

The group means are calculated by American Banker by summing all of the values and dividing that number by the total number of observations. The median is obtained by finding the midpoint of the array of values. The 1988 means and medians were for the banks in the panel that year. Copyright American Banker, 1990.

Chase Limiting Retail Ambition To Northeast

By YVETTE D. KANTROW

NEW YORK — In a move typical of the changing meaning of "nationwide banking," Chase Manhattan Corp. is scaling back its retail ambitions to concentrate on the northeastern region bounded by Ohio on the west and Maryland to the south.

The parent of Chase Manhattan Bank, which once had aspirations of serving the mass market across the country, will limit its nationwide consumer efforts to private banking, investment products, credit cards, and other services it can sell without buying up other banks.

Chase officials said the more limited focus will help differentiate it from money-center competitors with national ambitions. But in fact, many banks that had once looked beyond their historical boundaries are now reconsidering that strategy and focusing instead on better-defined, targeted regions.

To be sure, many financial institutions are still expansion minded.

Citicorp, Security Pacific

Citicorp, for example, makes no bones about its aspirations to become a mass-market bank of truly nationwide scope. And among the California banking companies, Security Pacific Corp. remains committed to a nationwide network of subsidiaries and affiliates in preparation for a further erosion of legal barriers to interstate banking.

But depressed earnings and expanding capital needs are forcing many retail bankers to chart a different, more conservative and profit-oriented course. They view First Interstate Bancorp., Los Angeles, as a cautionary example: It has operated throughout the West for many years, but its acquisition of a troubled Texas bank in 1987 set off a severe decline in company-wide earnings.

"Superior returns in attractive markets — that's our theme," Arthur F. Ryan, a Chase vice chairman, said last week in a presentation to security analysts. "We believe our New York State franchise is expandable but not universally."

Expanding in the 1980s

In the 1980s, Chase gobbled up both banks and thrifts, some of them ailing, in Ohio, Maryland, Arizona, and Florida.

Today, Chase admits that its foray into Arizona — where a real estate downturn also hurt Citicorp, First Interstate, and others

See ANALYSTS page 13

INSIDE NEWS

SPECIAL REPORT

BANKERS ARE BUYING

advice from consultants at a pace never seen before. The Big Six accounting firms are joining traditional providers of strategic advice, and specialized "boutiques" are popping up. Today's feature section looks at how banks are working with these players.

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REAL ESTATE

THE RESOLUTION Trust

Corp. will probably miss an August deadline for auditing the 96 thrift rescue deals arranged in 1988. Page 12

FINANCE

MELLON BANK CORP. found a way to tap the markets with a preferred stock issue. Page 20

CONSUMER

BANKS ARE FLOODING the market with products and advice for people approaching retirement. Page 8

PEOPLE



CHARLES J. ZWICK, chairman of Southeast Bancorp., is optimistic about the Florida market. Page 2

INTERNATIONAL

BRAZIL'S NEW government hopes to name a top diplomat as its chief debt negotiator this week. Page 14

COMMENT

INSURANCE REFORM is necessary, but it does not attack the underlying cause of management behavior that leads to failure, writes Sanford Rose. Page 4

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Dutch Banks Aim to Form Global Giant

By JOHN EVANS

LONDON — The two largest banks in the Netherlands, Amsterdam-Rotterdam Bank NV and Algemene Bank Nederland NV, announced Monday the start of negotiations for a merger that would result in Europe's seventh-largest bank and one of the top 30 worldwide.

Their announcement triggered immediate industry speculation that further big banking combinations would emerge across Europe as banks seek greater weight to compete in the single financial market that the European Community is due to implement at the end of 1992.

The Dutch banks made it clear that the proposed merger was aimed at speeding their global expansion, including within the EC, as well as defending their domestic market position.

"You need a strong capitalization if you want to be a global player from a small market like the Dutch," said ABN chairman Robert Hazelhoff.

ABN bought Exchange Bancorp of Chicago last year for

See DUTCH page 14

Thrifts Lose \$19 Billion In Worst Year Ever

By BILL ATKINSON

WASHINGTON — Savings and loans lost a record \$19.2 billion in 1989 and observers warn the trend will continue if the hundreds of remaining insolvent institutions are not closed or sold off quickly.

Last year's loss, up 43% over the \$13.4 billion loss in 1988 and 146% over \$7.8 billion lost in 1987, reflects the huge write-offs of real estate assets as well as accounting changes called for in the 1989 thrift-bailout bill. The loss in the fourth quarter was \$6.49 billion, the worst quarter in the industry's history.

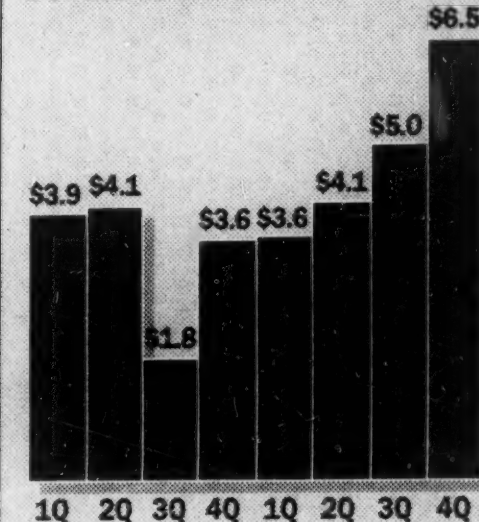
As a sign of thrifts' weak profitability, the 1,812 profitable thrifts, out of a total of 2,597 institutions, earned only \$1.3 billion in the fourth quarter, according to data released by the Office of Thrift Supervision.

Timing Is Crucial

Analysts say future profits or losses hinge on the RTC's ability to quickly clean up problem cases. At the end of the year, 281 thrifts were placed into the conservatorship. Those institutions posted a \$4.4 billion loss for the fourth quarter. Another 204 institutions, which were not yet in conservatorship but headed that way at yearend, lost nearly \$3.4

Thrift Losses Mount

Dollars in billions



Source: OTS

billion in the final three months of the year.

"I would presume by this time next year... the industry would be smaller and the losses would be smaller," said James Freund, acting chief economist for the Office of Thrift Supervision.

But other industry followers disagree, holding that the key to halting the flow of red ink is to clean up zombie S&Ls that continue to operate and take deposits.

"I don't think we have reached the pinnacle until all the institutions that need to be addressed are removed from the

See THRIFTS page 6

AT&T Credit Card: No Annual Fee, Discount on Long-Distance Calls

By YVETTE D. KANTROW

NEW YORK — Ending months of speculation about its plan to launch a general-purpose credit card, American Telephone and Telegraph Co. unveiled on Monday the AT&T Universal Card, combining a long-distance calling card and MasterCard or Visa.

AT&T will underprice its bank-card competitors by not charging an annual fee. AT&T said it will consider imposing annual fees after evaluating the first year's experience, but people who sign up during the first year will never be charged a fee if they use the card at least once a year.

The interest rate on outstanding balances will be the prime rate plus 8.9 percentage points, or 18.9% to start, which is about the national average for bank credit cards.

Discount on Calls

Cardholders will get a 10% discount on long-distance calls charged to the Universal Card. Like bank gold cards, AT&T's product also comes with buyer-protection insurance and collision-damage reimbursements on car rentals.

See AT&T page 7



AT&T'S OFFERING: Company will offer MasterCard or Visa with long-distance charge card.

Bank credit card executives expressed little concern in recent months about competition from AT&T. The telecommunications giant's advertising pitch, however, is aimed at cutting into the banks' MasterCard and Visa market.

Television commercials that debuted during the Academy Awards telecast Monday night depicted the Universal Card as the only one that consumers need, and highlighted the no-fee offer among other features. The spots ended with the tag line, "One world, one card."

Simplicity Sought

"Consumers have told us they are tired of complexity and tired of annual fees," Paul G. Kahn,

Citicorp Makes King of the Hill As Card Issuer

NEW YORK — Citicorp has vaulted past American Express to become the largest international issuer of credit and charge cards, according to yearend data published by the companies.

Citicorp's 35 million MasterCard, Visa, and Diners Club cards also outnumber Sears' Discover cards, giving the New York banking company a numerical edge over another of its primary competitors.

While Citicorp has long led U.S. banks in MasterCard and Visa issuance, it now lays claim to an international leadership position, with cards a linchpin of its global consumer banking strategy.

American Express Travel Related Services Co. said it had issued 34 million green, gold, platinum, and Optima cards worldwide at the end of 1989.

Greenwood Trust Co., the subsidiary of Sears, Roebuck and Co. responsible for the Discover program, was close behind with a reported 32.8 million cards at yearend.

Sears was in the elite of card-issuers even before its introduc-

See CITICORP page 7

PEOPLE in the news

Southeast Chief Sees Realty Woes As Pothole in the Road to a Boom

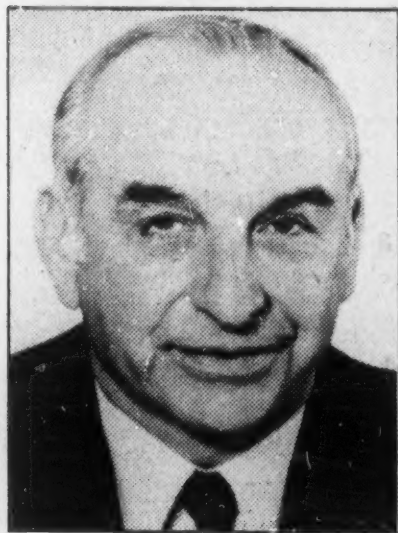
By TOM LEANDER

To veterans of Capitol Hill, the name Charles J. Zwick may evoke an image of fiscal stability. As President Lyndon B. Johnson's budget director in 1968, Mr. Zwick produced a balanced budget. No one else has done that since.

But that was a generation ago, and, now, as chairman of Southeast Banking Corp. in Florida, Mr. Zwick has fiscal woes familiar to many East Coast bankers: a rocky real estate portfolio.

Southeast Banking said Friday it expected to lose \$53 million to \$57 million in the first quarter, largely because of its Florida real estate lending.

But the 63-year-old Mr. Zwick, a perennial Florida booster, thinks his bank's current problems are only a pothole on the road to an economic boom.



Charles J. Zwick

"The Florida market is cyclical - this is the third cycle since the mid-seventies," he says. "The worst one was in the '74 to '76 period, when the price of oil went down."

He predicts that the regional troubles assailing the bank will result in "an intermediate-level slowdown," one in which Southeast will easily survive - unless the U.S. economy is mired in recession.

Mr. Zwick, who became president of the bank in 1969 and chairman in 1982, has staked his bank's future on expansion within the Sunshine State.

The bank has built its franchise in Florida alone and avoided jumping into the interstate game in an era when Citicorp, Chase Manhattan Corp., and NCNB Corp. have set up Florida operations. So far, his \$16.5 billion-asset company has produced disappointing results.

Some analysts said that Mr. Zwick's Florida-based strategy had exposed his bank to real estate woes more than any other Southeast bank.

"Analysts are interesting people," he says, with a wry note in his voice, "I've seen some of their comments, and I don't know where they get that from."

Last Friday, analysts expressed relief that Southeast's loan problems were not as grave as had been rumored.

If Mr. Zwick takes such speculation in stride, it is because he is used to facing a problem by adopting the long view. A native of rural Connecticut, Mr. Zwick is the son of a farmer who eventually gave up tilling the Connecticut soil in part because Florida farmers were putting up such stiff competition.

He stayed close to roots even as a student, earning a bachelor's and master's degree in agricultural economics at the University of Hartford. He earned a doctorate in economics at Harvard.

He taught economics first at the University of Connecticut and then at Harvard between 1954 and 1956. For the next 10 years, Mr. Zwick lent his brains to the Rand Corp., a prestigious California think tank, puzzling over such imponderables as urban transportation and the economies of Southeast Asia.

He was tapped by the Johnson Administration to become assistant director of the Bureau of the Budget in 1965, and named as director in 1968.

Though loaded down with academic credentials and intellectual honors - for example, he is chairman of the Carnegie Endowment for International Peace - Mr. Zwick avoids academic hyperbole in conversation. Rather, his voice conveys the no-nonsense tone of a seasoned Washington bureaucrat fielding questions from errant Congressmen.

"I say only partly in jest that my experience as military policeman helped shape me as a banker," he said. "I learned the amount of law and order and discipline it takes to get a job done."

An avid reader, Mr. Zwick says he spends his leisure hours playing golf and poring over books on global trends.

Franklin S&L Challenges Takeover

Reuters

PORTLAND, Ore. — The former board of directors of Benjamin Franklin Federal Savings and Loan Association said it has sued the Office of Thrift Supervision, challenging the government takeover on Feb. 21 and asking the court to return control to the board.

"We feel we have been unfairly treated," former chairman G. Dale Weight told a press conference after the suit was filed in U.S. district court here.

The \$5.4 billion-asset institution was taken over by federal regulators because it failed to

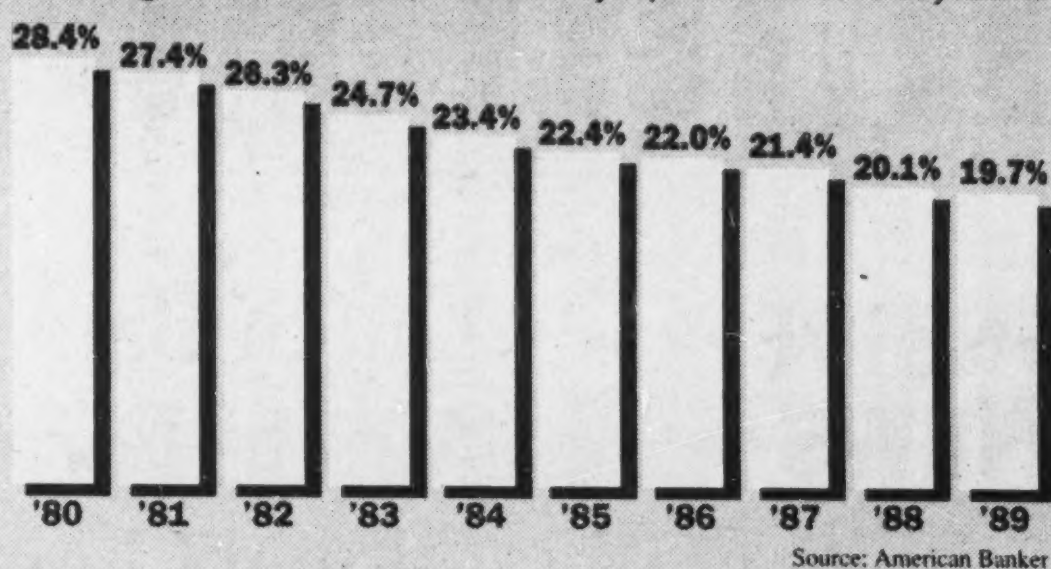
meet capital requirements under the 1989 thrift-bailout bill.

Much of the Franklin suit hinges on arguments advanced in a suit filed by Olympic Federal Savings and Loan of Berwyn, Ill., Mr. Weight said. The Olympic lawsuit questioned the constitutional authority of the former and current acting directors of the OTS.

A federal judge blocked the seizure of Olympic by the OTS last Wednesday. But an appeals court granted a government request to prevent the lower court injunction from taking effect and will hear further arguments April 11.

A Shrinking Share of Deposits

Percentage of U.S. bank deposits held by top 10 institutions at yearend



Deposit Share Continues To Slide at Top 10 Banks

By L. MICHAEL CACACE

NEW YORK — The share of deposits held by the nation's 10 largest banks continued a decade-long decline last year, according to an annual *American Banker* survey.

The share of deposits fell to 19.7% on Dec. 31, 1989, from the previous record low of 20% the year before. It marked the 10th year in a row that share has fallen, from a peak of 28.5% in 1979. (Tables ranking the 300 largest banks by deposits and by assets begin on page 14A.)

Less Emphasis on Growth

Analysts said the decline reflects the fact that large banks no longer consider asset and deposit growth as desirable, unless profits grow accordingly. In addition, many large banks have reduced assets and deposits to meet tougher capital requirements. Other factors included strategic decisions to exit lines of business, and the securitization of assets.

"These trends are still in evidence and should continue in 1990," said James McDermott, an analyst at Keefe Bruyette & Woods Inc., New York.

The survey found that while deposits in the rest of the industry increased 5.2%, they rose just 3.1% at the top 10 banks. In 1988, the top 10 had a 2.4% drop, compared with a 5.5% in-

crease at other institutions.

Four of the top 10 banks posted deposit declines last year. Tenth-ranked Bankers Trust Co. had a 16% decline; fifth-ranked Morgan Guaranty Trust Co. had a 10% drop; ninth-ranked Chemical Bank's deposits fell 3%; and fourth-ranked Manufacturers Hanover Trust Co. had a 0.3% decline.

Equity Capital Down

Equity capital at the top 10 banks fell 4.1%, to \$32.7 billion, from \$34.1 billion a year earlier. The decline was attributable to the special provisions taken in the third and fourth quarters for LDC debt. The decline in equity, coupled with a 3.7% growth in assets at the top 10, caused their equity-capital-to-assets ratio to fall 40 basis points last year to 4.70% from 5.10%.

For the banks ranked 11 to 300, equity capital rose 5.9% and assets rose 7.4%. The equity capital ratio was 5.64% on Dec. 31.

Bank of New York was the only newcomer to the top 10, propelled to the eighth spot by its acquisition of \$15 billion-deposit Irving Trust Co.

The largest deposit decline was posted by 41st-ranked Boston Safe Deposit and Trust Co., which is shrinking after a decline in profitability in 1988 and 1989. Its deposits fell 50% last year, to \$7.8 billion.

Centrust Failure Expected to Cost U.S. \$2 Billion

By ROBERT M. GARSSON

WASHINGTON — Regulators now expect the collapse of Centrust Bank to cost the government at least \$2 billion, up to \$1 billion more than previously expected.

The new estimate puts the Miami-based thrift in contention with Lincoln Savings and Loan Association as the nation's most costly thrift failure.

The estimate was delivered to the House Banking Committee by officials from the Resolution Trust Corp., who described Centrust as a poorly managed investment bank that funded itself with federal deposit insurance. The \$8.2 billion-asset thrift was seized by federal regulators on Feb. 2.

Committee aides said the estimated cost to the government was \$500 million to \$1 billion more than they expected.

Banking Committee Chairman Henry B. Gonzalez, D-Tex., said the revelations about Centrust and Lincoln, which is expected to cost the government \$2 billion or more, suggest the need for a major overhaul of the laws and regulations governing the banking and thrift industries, as well as those of the accounting profession.

"I am more bothered now than I was a year ago," when the committee was preparing to take up the thrift bailout law, he said.

Multiple Accounts

Mr. Gonzalez said afterward he plans to introduce legislation later this spring. His primary focus will be on ensuring that individuals are not able to obtain more than \$100,000 in deposit insurance coverage by dividing their deposits among more than one insured institution.

In an indication that he wants the committee to begin considering an overhaul of the deposit insurance laws this year or early

See **ESTIMATED** page 6

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Chase Manhattan..... 1,2		Integra Financial..... 8	
Chemical Bank..... 2		Interstate/Johnson Lane..... 20	R
Chubb..... 12		Investors Financial..... 9	Raddon Financial Services..... 8
Citicorp..... 1,2			Rand..... 2
Citizens and Southern..... 9,20		K - L	Resolution Trust Corp..... 3,12
City Federal Savings Bank..... 3		Kawasaki Steel..... 18	Robinson-Humphrey..... 20
Coldwell Banker..... 12		Keefe Bruyette & Woods..... 2	
Colorado Bankers Assn..... 8		Kidder Peabody..... 20	S - Z
Credit Agricole..... 14		Long-Term Credit Bank..... 18	Sanwa Bank..... 18
Credit Union Nat'l Assn..... 8			Sears Roebuck..... 1
D - E		M	Security Pacific..... 1
Dillon Read..... 20		Maine Bankers Assn..... 8	Shri Mahila Sewa Sahakari Bank..... 14
Dollar Dry Dock..... 8		Manufacturers Hanover..... 2,3,4	Society for Savings..... 3
Du Pont..... 3		Marine Midland..... 8	Southeast Banking..... 2,20
Equitable Savings..... 2		MasterCard..... 1	Standard & Poor's..... 20
		Mellon Bank..... 20	Suntrust Banks..... 20
		Meridian Bancorp..... 8	U.S. League..... 1,3
		Meritor Savings..... 20	Visa..... 1

COMMENT / By Sanford Rose

The Reforms We Really Need

The Treasury Department will shortly discharge its responsibilities under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to recommend changes in the system of deposit insurance. Surely changes are long overdue.

But it is far too simplistic to argue, as do some, that deposit insurance reform will greatly reduce the likelihood of bank and thrift failures. Insurance reform is necessary; it is by no means necessary and sufficient. It does not attack the underlying cause of management behavior that leads to failure.

There is always the danger, moreover, that we will get the wrong sort of insurance changes. Schemes to lower the insurance maximum from \$100,000, for example, are apt to do more harm than good.

Such measures are designed to force the depositor to "discipline" his bank and thereby help prevent its failure. But this makes precious little sense. The depositor with a balance of less than \$100,000 cannot in general monitor his bank's risk-taking tendencies with much efficiency.

And even if he could, one shouldn't want him to do so. Every time a bank or thrift was mentioned adversely in the newspapers, depositors who thought they might suffer losses would rush to transfer money to other institutions. This continuous migration of deposit balances is bound to prove counterproductive.

Although it has been shown that deposit runs are not as costly as many believe, neither are they costless.

The way to improve the sys-

tem is not by fiddling with the amount of insurance but rather by changing the method by which it is priced. As is well known, banks and thrifts pay flat-rate premiums. As is also well known, this practice amounts to a subsidy from the risk-averse to the risk-prone.

Is the Treasury going to recommend that premiums for deposit insurance be henceforth graduated according to institutional risk?

And if it is, will it also suggest a practical and objective method of achieving that graduation - a problem that has thus far confounded those who are long-time advocates of risk-related charges?

If the Treasury comes up with a viable method of modernizing deposit insurance, we should all be properly grateful. But we need more than this to stabilize the financial system. After all, flat-rate insurance has been with us for over half a century, but it is only in the last decade that droves of banks and thrifts have begun to fail. If flat-rate insurance promotes the kind of risk taking that leads to widespread failure, why weren't failure rates higher in the past?

Crumbling Charter Values

The reason, quite simply, is that the value of bank and thrift charters was greater in the past, and valuable charters will induce managements to operate prudently, despite the incentives for outside risk-taking inherent in a flawed insurance system.

In the past decade, the charter values of banks and thrifts have been significantly depressed by heightened competitive pressures. The inroads of competi-



tors into geographic areas hitherto protected by restrictions on branching and on interstate banking - or, in many cases, the mere threat of such inroads - have forced banks to raise deposit rates and lower loan rates, undermining the worth of their franchises.

The thrifts, which once were practically the only institutions willing to hold home mortgages

bank and thrift failures is not just a faulty deposit-insurance system. The cause is a decline in charter values that encouraged desperate managers to exploit the weaknesses of that system.

Exacerbating the Problem

If the cause of the problem is not deposit insurance per se, the remedy cannot be simply an overhaul of the insurance system, however desirable that may be. To arrest the tendency of institutions to fail, government must look to ways to help them rebuild shattered franchise values. Yet the government is doing just the opposite. It is, for example, contributing to a situation that will promote more, not fewer, thrift failures.

With the decline in relative mortgage rates, the true yield earned on new home mortgages is now less than the marginal cost of funding these mortgages. Yet FIRREA mandates that

'We must tear down barriers that artificially delimit and demarcate the financial-services industry.'

to term, have had their "warehousing" monopoly destroyed by the market for mortgage-backed securities. The securitization movement greatly increased the public's demand for mortgage paper. And as this demand burgeoned, the price of mortgages rose and their yields concomitantly fell.

A much-overlooked cause of thrift woes is very simply a decline in home-mortgage rates, relative, that is, to other open-market rates.

Given the erosion of their franchise values, many banks and thrifts have had little to lose from unconscionable gambling in the credit markets or from playing the yield curve with even greater abandon than before. So the cause of the rash of

qualified thrift lenders hold an even higher percentage of their assets in home mortgages than was previously the case.

In other words, Congress is forcing the thrifts to engage in activities that will produce more red ink. Locked into a money-losing business, thrifts will inevitably continue to gravitate to highly risky undertakings in an effort to offset losses in their core activity.

This kind of nonsense has to stop. Thrifts can do everything that the public should legitimately require of them. They can originate and service home mortgages, and do so profitably. What they can't do profitably - and what Congress has perverse-

See **NEEDED** page 18

CRIME BLOTTER / By Tom Leander

Appraiser Admits Inflating Estimate

A real estate appraiser has pleaded guilty to preparing an inflated report in connection with loans that allegedly led to the insolvency of Midwest Federal Savings and Loan, the U.S. Attorney's office in Minneapolis said.

Peter P. Jackson entered the guilty plea before Judge Paul A. Magnuson in U.S. district court in St. Paul on March 16.

Mr. Jackson, a New York City resident, was cited in an indictment that also named Susan Greenwood Olson, a former vice president of the thrift.

The government says Ms. Greenwood Olson withheld an appraisal from the Federal Home Loan Bank Board that put a Miami resort's value at \$9.7 million while she arranged for Mr. Jackson to appraise it at about \$22 million. Midwest Federal had lent the resort more than \$23 million.

A spokeswoman for the U.S. Attorney's office said Mr. Jackson agreed to cooperate with the continuing investigation as part

of his plea agreement.

Harold W. Greenwood Jr., Ms. Greenwood Olson's father and chairman of the thrift until it was seized in February 1989, is still under investigation.

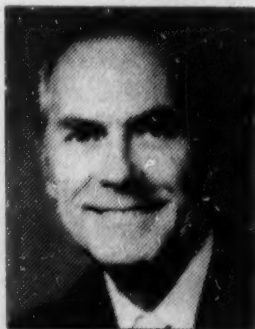
Mark W. Peterson, a lawyer for Ms. Greenwood Olson, said that the charges against her resulted from loans that went bad and that she exercised no criminal intent.

— Nanine Alexander

Barnard Blasts Antifraud Effort

In a stinging indictment of the government's efforts to clean up the savings and loan industry, Rep. Doug Barnard Jr., D-Ga., criticized the Bush administration's decision to spend only \$50 million to investigate S&L fraud, instead

of allocating the \$75 million mandated by Congress under the thrift-bailout law.



Rep. Doug Barnard

"This question of spending another \$25 million must be weighed against the hundreds of billions of dollars that the S&L debacle will cost the taxpayers," Mr. Barnard said at a hearing of the consumer affairs subcommittee of the House Government Operations Committee.

Mr. Barnard said the lack of funding has meant that 1,298 cases involving fraud and embezzlement of amounts exceeding \$100,000 are inactive because the Justice Department lacks personnel to carry out the investigations.

Justice Department spokesman Douglas Tillet responded by saying that \$50 million was handed over to the department in December, "and since then we've put every nickel into the field." He also said it was "a little naive" for Mr. Barnard to expect a significant number of arrests by March.

Businessmen Plead Guilty in Jersey Scam

The former chairman and president of a discount apparel chain have pleaded guilty to falsifying company financial statements in 1985 and 1986 in a scheme that helped the now-bankrupt company obtain a

\$2.95 million loan from Midlantic National Bank and a \$1.5 million loan from Manufacturers Hanover Trust Corp.

Oliver's Stores Inc., which operated in New York, New Jersey, and Connecticut, also used the falsified information to help raise \$7.8 million in an initial public offering, according to U.S. Attorney Samuel A. Alito in Newark, N.J.

Joseph Wolfer, the 47-year-old former chairman, and Thomas Nadler, 44, the former president, admitted creating false invoices and bills of lading. In doing so, they made it appear that another apparel company, Maspeth Industries, had made a job-lot purchase of \$506,525 of inventory in June 1985 and \$183,250 in February 1986.

The duo gave their own money to employees to purchase cashier's checks, which were then deposited and credited to Oliver's books. This gave the appearance that Maspeth Industries, which is based in Maspeth, N.Y., had made payments against the accounts receivable.

According to Mr. Alito, the president of Maspeth signed a false confirmation for Oliver's auditors indicating that the sale had actually taken place.

Neither Maspeth Industries, which is now defunct, nor its employees has been charged with any crime, Mr. Alito said. □

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TOP 300 BANKS

Top 300 U.S. Commercial Banks in Deposits

In order of deposits December 31, 1989, compared with December 31, 1988, and December 31, 1985
Compiled Annually Since 1921 by the American Banker

Rank 12/31/89		Deposits		Rank 1988	Gain	Deposits		Rank 1985	Equity Capital	
		12/31/89	12/31/88			12/31/85	12/31/89		6/30/88	
1	Citibank NA, New York	111,487,000,000	104,996,000,000	1		78,392,000,000	2	7,628,000,000	8,168,000,000	
2	Bank of America NT&SA, San Francisco	73,295,000,000	69,640,000,000	2		90,250,018,000	1	4,414,000,000	3,611,000,000	
3	Chase Manhattan Bank NA, New York	61,720,245,000	58,241,477,000	3		59,824,598,000	3	3,770,846,000	4,372,933,000	
4	Manufacturers Hanover Trust Co., New York	42,736,000,000	42,876,000,000	5	+ 1	42,186,468,000	4	2,524,000,000	2,560,000,000	
5	Morgan Guaranty Trust Co., New York	40,953,451,000	45,471,746,000	4		39,419,026,000	5	2,988,829,000	4,020,073,000	
6	Security Pacific National Bank, Los Angeles	40,597,338,000	36,095,333,000	6		27,763,181,000	9	2,653,816,000	2,216,631,000	
7	Wells Fargo Bank NA, San Francisco	36,462,605,000	35,109,059,000	7		19,045,237,000	12	2,947,135,000	2,576,537,000	
8	Bank of New York	34,411,451,000	16,665,898,000	14	+ 6	9,564,834,783	18	2,109,304,000	1,204,914,000	
9	Chemical Bank, New York	32,312,000,000	33,298,000,000	8		33,355,815,000	6	2,127,000,000	2,488,000,000	
10	Bankers Trust Co., New York	27,879,571,000	33,261,373,000	9		24,506,971,000	10	1,503,190,000	2,889,133,000	
11	First National Bank, Chicago	26,403,340,000	27,372,439,000	10		27,854,663,000	8	1,482,343,000	1,302,240,000	
12	NCNB Texas National Bank, Dallas	25,623,428,000	20,474,765,000	11		8,754,883,000	19	1,505,597,000	1,070,177,000	
13	First National Bank, Boston	22,061,157,000	17,687,897,000	13		11,180,445,000	16	1,246,060,000	1,299,784,000	
14	Continental Bank NA, Chicago	18,178,226,000	17,763,339,000	12		30,082,230,000	7	1,779,411,000	1,727,145,000	
15	Marine Midland Bank NA, Buffalo, N.Y.	18,021,665,000	16,659,085,000	15		16,409,827,000	13	813,983,000	860,449,000	
16	First Interstate Bank of California, Los Angeles	17,849,795,000	16,613,623,000	16		15,266,068,000	14	1,037,785,000	865,420,000	
17	Mellon Bank NA, Pittsburgh	15,022,808,000	15,603,197,000	17		12,924,800,000	15	942,497,000	609,809,000	
18	Republic National Bank, New York	14,250,340,000	13,897,318,000	20	+ 2	7,263,260,000	23	1,533,631,000	1,631,123,000	
19	National Westminster Bank USA, New York	12,740,471,000	11,389,004,000	23	+ 4	5,746,245,000	31	496,547,000	530,175,000	
20	Southeast Bank NA, Miami	12,715,951,000	10,287,300,000	28	+ 8	6,434,788,000	26	782,342,000	587,866,000	
21	National Bank of Detroit	12,288,133,000	11,989,495,000	21		7,638,307,000	21	915,650,000	849,081,000	
22	Union Bank, San Francisco	11,637,088,000	11,911,043,000	22		3,818,193,000	55	928,989,000	819,773,000	
23	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	11,344,443,000	10,517,863,000	27	+ 4	5,825,768,213	30	1,037,665,000	918,281,000	
24	NCNB National Bank of North Carolina, Charlotte	10,585,048,000	11,054,684,000	24		6,608,873,000	24	990,818,000	914,710,000	
25	First Union National Bank, Charlotte, N.C.	10,507,659,000	8,784,792,000	32	+ 7	4,481,502,000	40	957,590,000	818,264,000	
26	Pittsburgh National Bank	10,263,540,000	10,045,593,000	29	+ 3	4,625,620,000	37	716,782,000	690,602,000	
27	Sovran Bank NA, Richmond	10,193,846,000	9,779,420,000	30	+ 3	5,576,104,000	32	852,921,000	755,691,000	
28	Seattle-First National Bank	9,660,669,000	8,870,643,000	31	+ 3	6,311,056,000	27	838,280,000	633,290,000	
29	NCNB National Bank of Florida, Tampa	9,637,057,000	7,387,750,000	39	+ 10	2,213,069,000	94	658,970,000	591,395,000	
30	Citizens & Southern National Bank, Atlanta	9,468,585,000	8,454,641,000	34	+ 4	4,200,268,000	45	813,910,000	737,460,000	
31	Bank of New England NA, Boston	9,208,787,000	10,904,043,000	25		3,519,806,000	59	211,835,000	724,249,000	
32	First Bank NA, Minneapolis	9,104,370,000	10,674,583,000	26		4,435,905,000	41	517,158,000	690,719,000	
33	First Fidelity Bank NA, Newark, N.J.	8,615,504,000	7,967,395,000	36	+ 3	1,857,317,000	113	596,962,000	595,246,000	
34	Banc One, Texas NA, Dallas (a)	8,525,136,000	4,033,803,000	90	+56	3,922,482,000	51	0	(164,720,000)	
35	Connecticut Bank & Trust Co. NA, Hartford	8,450,053,000	7,509,700,000	38	+ 3	4,523,480,000	39	188,970,000	584,661,000	
36	Meridian Bank, Reading, Pa.	8,394,187,000	6,010,077,000	56	+20	2,385,768,000	83	580,514,000	510,000,000	
37	Valley National Bank, Phoenix	8,370,893,000	8,639,762,000	33		6,568,084,000	25	436,916,000	542,170,000	
38	Connecticut National Bank, Hartford	8,196,372,000	8,045,283,000	35		3,479,602,000	60	700,966,000	672,820,000	
39	Michigan National Bank, Farmington Hills	7,888,735,000	7,694,746,000	37				657,160,000	556,886,000	
40	Midlantic National Bank, Newark, N.J.	7,791,480,000	4,658,275,000	77	+37	2,225,673,000	93	673,944,000	366,647,000	
41	Boston Safe Deposit & Trust Co.	7,782,273,000	15,464,313,000	18		1,310,814,626	163	979,532,000	1,014,040,000	
42	Crestar Bank, Richmond	7,631,619,000	7,291,054,000	40		4,161,072,000	46	591,857,000	497,565,000	
43	Comerica Bank-Detroit	7,561,148,000	7,217,355,000	41		4,422,965,000	42	473,431,000	447,888,000	
44	Philadelphia National Bank	7,261,814,000	7,131,118,000	42		4,363,328,000	44	649,363,000	573,219,000	
45	First Union National Bank of Florida, Jacksonville	7,090,935,000	7,122,471,000	43		2,509,625,000	79	613,000,000	659,340,000	
46	Ameritrust Co. NA, Cleveland	7,072,134,000	6,542,938,000	46		4,565,443,000	38	595,416,000	531,740,000	
47	United States National Bank, Portland, Ore.	6,994,001,000	6,095,867,000	51	+ 4	4,399,197,000	43	715,237,000	619,041,000	
48	Manufacturers National Bank, Detroit	6,946,034,000	6,521,981,000	47		3,980,447,000	49	511,226,000	438,329,000	
49	Bank of Hawaii, Honolulu	6,940,435,000	5,602,067,000	60	+ 11	2,931,278,283	67	446,180,000	373,190,000	
50	Fidelity Bank NA, Philadelphia	6,919,305,000	6,706,244,000	45		785,371,590	265	388,416,000	354,098,000	
51	Harris Trust & Savings Bank, Chicago	6,854,159,000	6,508,050,000	48		4,735,607,000	35	542,582,000	545,746,000	
52	Maryland National Bank, Baltimore	6,631,568,000	6,793,502,000	44		3,381,884,000	62	537,130,000	487,397,000	
53	Huntington National Bank, Columbus, Ohio	6,566,863,000	6,055,783,000	54	+ 1	3,075,104,000	64	536,045,000	466,402,000	
54	Security Pacific Bank Washington, Seattle	6,439,119,000	5,686,248,000	59	+ 5	4,811,956,000	33	467,854,000	457,752,000	
55	Texas Commerce Bank NA, Houston	6,416,672,000	6,453,537,000	49		6,243,431,000	28	618,271,000	631,240,000	
56	Society National Bank, Cleveland	6,280,633,000	4,607,396,000	78	+22	1,810,679,000	120	456,374,000	356,839,000	
57	First National Bank, Atlanta	6,139,163,000	6,017,771,000	55		3,456,514,000	61	566,102,000	511,198,000	
58	State Street Bank & Trust Co., Boston	6,137,917,000	5,390,469,000	65	+ 7	2,492,654,000	80	620,563,000	538,531,000	
59	Fleet National Bank, Providence, R.I.	6,111,457,000	5,539,747,000	62	+ 3	3,542,902,000	58	591,314,000	488,901,000	
60	First Interstate Bank of Arizona NA, Phoenix	6,105,115,000	5,818,569,000	57		4,138,695,000	47	267,235,000	415,881,000	
61	Florida National Bank, Jacksonville	6,055,322,000	6,066,205,000	53		2,844,588,000	69	358,736,000	479,445,000	
62	First Interstate Bank of Texas NA, Houston	5,881,038,000	6,073,573,000	52		2,376,695,000	85	25,716,000	190,866,000	
63	Bank of Tokyo Trust Co., New York	5,805,020,000	5,497,629,000	64	+ 1	3,835,872,000	54	400,362,000	375,513,000	
64	AmSouth Bank NA, Birmingham, Ala.	5,787,896,000	5,692,601,000	58		2,797,356,000	72	561,759,009		

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